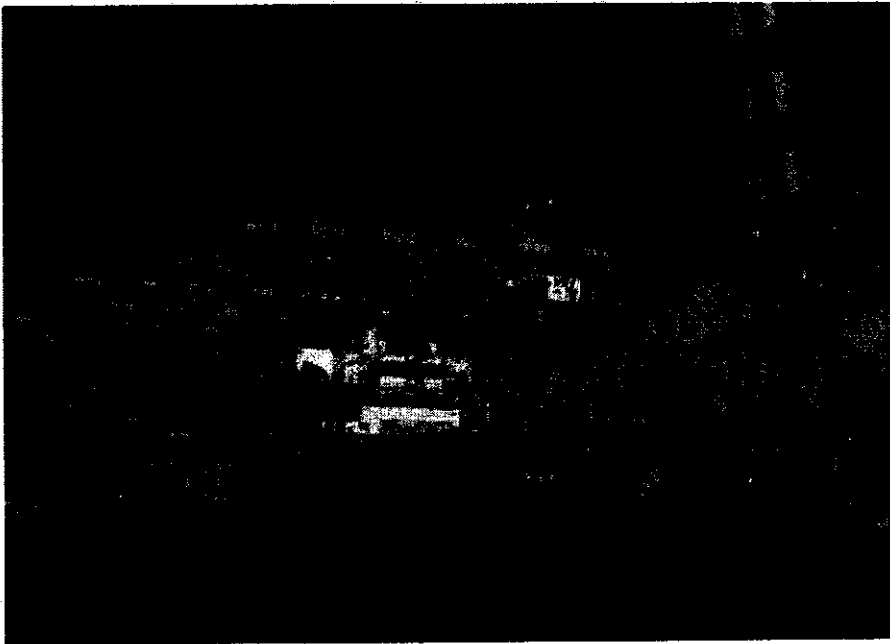


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## NYK Cutting Fleet Size, Plans Restructuring



*Facing enormous deficits, company to focus on non-asset business*

In a dire New Year's speech to employees, NYK Line President Yasumi Kudo said the company is reducing the size of its fleet of container ships and car carriers and plans to focus on its non-asset-based business "for the time being."

Kudo said NYK has already cut its container fleet to slightly more than 90 ships with a capacity of 360,000 20-foot units from 115 ships of 410,000 TEUs a year ago. NYK's fleet of car carriers has been reduced from 130 vessels to approximately 90 vessels as "export shipments of new-cars from Japan were almost halved from the previous year's level, far exceeding the earlier projected downturn."

The NYK chief said the cost-reduction steps the company has taken "thus far do not suffice to restore profits, especially in the liner trade and air cargo transport." Kudo warned that the company must "redouble" its efforts to cut costs and restore profits during the second half of the current fiscal year.

Although cargo traffic has rebounded since last summer (see story), making it possible to reduce deficits, he said the company's deficits still remain enormous. "If things go on like this, there will be no change in the prospect that it will become difficult to maintain our liner trade and air cargo transport business," he said.

In October, NYK posted a loss of \$318.7 million for the first half of its fiscal year ended Sept. 30, compared to a profit of \$991 million for the same period last year and lowered its forecast for the full year ending March 2010 to a net loss of \$293 million from an earlier estimate of a \$54 million loss, and lowered its revenue outlook to \$18.2 billion from \$18.6 billion.

In his New Year's message posted on the NYK Web site Kudo said the company intends to restructure its business models by creating two business sectors: one consisting of asset-based activities including container ships, car carriers, bulk ships and airplanes, and the other of such non-asset-based activities as ocean and air freight forwarding.

Because the volatility of the asset-based business "poses a grave danger," Kudo said he believed emphasis should be placed on non-asset operations "for the time being." He also said the company was looking at merging NYK Logistics and Yusen Air and Sea Service.

Contact Peter T. Leach at [pleach@joc.com](mailto:pleach@joc.com).

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